IZA

Simultaneous Search and Network Efficiency
by Pieter Gautier, Christian Holzner
(July 2011)

Abstract:
When workers send applications to vacancies they create a network. Frictions arise because workers typically do not know where other workers apply to and firms do not know which candidates other firms consider. The first coordination friction aff network formation, while the second coordination friction affects network clearing. We show that those frictions and the wag mechanism are in general not independent. The wage mechanism determines both the distribution of networks that can ari and the number of matches on a given network. Equilibria that exhibit wage dispersion are inefficient in terms of network formation. Under complete recall (firms can go back and forth between all their candidates) only wage mechanisms that all for ex post Bertrand competition generate the maximum matching on a realized network.

Text: See Discussion Paper No. 5859

Back